C5150-3

Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

SECOND CLASS

VOL. 28, NO. 7 | Published Biweekly, Every Other Monday, Monthly in December, by Lebhar-Friedman Inc. | $2 per copy | April 3, 1989

Top Discounters Report Healthy '88 Sales, Income

By Kenneth M. Chanko

NEW YORK — In a stable but unspectacular economic climate, most of the top discounters reported healthy sales and income results for 1988.

Wal-Mart, Toys "R" Us, Circuit City and PACE were the star performers among the top 20 discounters and mass merchandisers (excluding some private companies), posting sales gains from all operations of more than 20 percent compared to the previous year (see chart, page 76).

In contrast, sales of the three mass merchandisers—Sears, JCPenney and Montgomery Ward—were flat, with none reporting sales gains in the double digits. Penney was the only retailer on the chart that posted a loss in sales compared to the previous year.

The figures also bear out, for the most part, that the mighty continue to get mightier in the discount store industry. K mart, however, is continuing to lose ground to its top two discount rivals, Wal-Mart and Target, in terms of year-to-year percentage sales increases. K mart posted

(Continued on page 76)

Caldor's Lone '89 Unit Unveils New Strategies

By Richard C. Halverson

MARLBORO, N.J. — To the strains of rhythm and blues and Dixieland jazz groups, Caldor celebrated the grand opening of its only new store for 1989.

Strains of another sort—glitches in its new scanning system—sounded the only jarring note at an event that filled the parking lot last month with eager shoppers and created traffic jams at the 14 checkouts.

Caldor, based in Norwalk, Conn., plans to pick up its expansion pace in 1990, said Don Clarke, chairman and chief executive officer, while touring store No. 120 with *DSN*. Caldor expects to open five new stores next year, including two or three on New York's Long Island. In 1988, it opened three.

At 83,000 square feet, the Marlboro Store was built from scratch to Caldor's first-ever prototype developed in 1988. Caldor's expansion was based on opportunistic acquisition of stores that range from 40,000 square feet to 150,000 square feet, he said.

The three 1988 stores were built to the prototype. But its older stores vary in size and

(Continued on page 9)

Shoppers thronged the new Caldor in Marlboro, N.J. (DSN photo)

JCPenney Set to Take Over, Relaunch Shop TV Program

LOS ANGELES — JCPenney has decided to expand its commitment to electronic retailing by proposing to take over cable teleshopper Shop TV and relaunch it next week as the JCPenney Television Shopping Channel.

Shop TV was developed and operated under a partnership between the retailer and Shop Television Network Inc., an American company listed on the Vancouver, British Columbia, stock exchange. The new agreement between the two firms, which is subject to approval by STN shareholders, would make JCPenney the owner of the video retailer and STN the exclusive production and marketing agent.

The new arrangement is designed to explore the synergies of teleretailing with JCPenney's catalog operation, including helping the retailer reach new customers and broaden exposure of the book's merchandise.

JCPenney will become the first traditional retailer to own a passive teleshopping network if the agreement is approved by STN Inc. stockholders. The retailer also owns Telaction, a Chicago-

(Continued on page 75)

Study: QR Implementation Could Save Discounters $3.9B Annually

By Arthur Markowitz

DALLAS — How does getting a share of an annual $3.9 billion savings sound to you?

Any discounter can do so by implementing Quick Response, according to a study on overall retail segments released at two conferences here on QR and its component technologies, UPC and bar code scanning, electronic data interchange and shipping container marking.

The study, conducted by Andersen Consulting for VICS, the Voluntary Interindustry Communications Standards committee, found that discounters would obtain the greatest benefit of any retail segment implementing QR.

In its study, Andersen Consulting reported overall dollar figures and the equivalent percent of sales (p/s) that would apply to an individual company.

Discounters overall would have to expend $1.3 billion (1.7 p/s) to implement QR and spend $159 million annually (0.21 p/s) to maintain this technology, but the total annual payback would be $3.9 billion (5.3 p/s) in savings.

Specifically, discounters' initial investment, annual costs and annual savings for specific QR steps are: UPC and scanning, $530

(Continued on page 4)

Ames, Target Hook Up Satellite Nets

New Technology Will Provide Integrated Communications

GERMANTOWN, Md. — Ames and Target have joined the growing number of major retailers plugging into satellite networks to obtain integrated data, voice and visual communications.

Both retailers will obtain their satellite systems from Hughes Aircraft Co. subsidiaries, Hughes Network Systems and Hughes Communications, at an initial cost of $10 million for Ames and $7 million for Target.

Ames, in a two-phase installation program, expects to hook up the 318 Zayre division stores to the company's headquarters in Rocky Hill, Conn., by September, with the 361 Ames units to be connected by mid-1990.

Target expected to have its 429 stores and distribution centers tied into its Minneapolis headquarters by fall, in time for holiday sales.

Sears, K mart, Wal-Mart, JCPenney and Service Merchandise are among the leading retailers that have proven the satellite network technology. Their use of satellites for transmission of sales data, credit authorization, conferencing, training and other uses has blazed the way for other chains to now employ this telecommunication system.

Ames' network, called AmesNet, will be used initially to transmit sales information, credit and check authorization, price changes and receipt of merchandise. Future plans call for such additional applications as electronic mail and video teleconferencing.

Ames began evaluating alternative communication technologies to telephones prior to its October 1988 acquisition of Zayre. Ames decid-

(Continued on page 75)

House Passes Min. Wage Bill

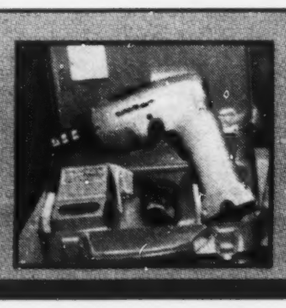
WASHINGTON, D.C. — Congress moved a step closer to a bitter minimum wage confrontation with the White House as the House of Representatives passed legislation to raise the national pay floor to $4.55 per hour.

President Bush, while supporting an increase in the minimum wage, threatened to reject any bill calling for an hourly rate above $4.25. The measure cleared the House by a vote of 248 to 171, but it fell short of the number need-

(Continued on page 76)

Apparel:
American Fare Cashes In on Kids' Wear
page 17

Home Products:
Battery Market Seeks Recharge
page 23



Hard Lines:
Home Center Show Activity Lags
page 65

MARKETWATCH

Ward Appoints Seven Execs to New Posts

CHICAGO — Montgomery Ward has appointed seven executives to new positions as part of its restructuring as a specialty retailer and the implementation of its everyday low price program. Richard Bergel was promoted to the newly created post of president, store operations while Daniel Levy was named president, apparel group. Malvin Pavik was named executive vice president, eastern territory and Tom Cato was promoted to senior vp, logistics. Other new vps named were Joseph Rotunda, customer service, Oscar Lizotte, central territory and Donald Elkin for new store start-ups.

J. Baker a Shoo-In for Zayre

ROCKY HILL, Conn. — Ames has extended the contract of its shoe department licensee J. Baker to the Zayre chain that Ames acquired last year. J. Baker will now run the shoe section in all Ames' owned discount stores for another 20 years. The transaction is worth about $60 million, which Ames will use to reduce the borrowing incurred in the Zayre takeover. The Zayre sections should increase J. Baker's sales by about $100 million annually.

Staples Planning to Go Public

NEWTON, Mass. — Staples, the pioneer office supply megastore, plans to go public, joining Office Depot, Office Club, HQ Office Supply and O.P. Club as the industry's publicly held chains. Staples plans to raise between $42 million and $51 million by offering 2,850,000 shares at $15 to $18 a share. It will use the funds to repay debt, increase working capital and for other company needs.

Jewelcor Honors Senator Specter

WILKES-BARRE, Pa. — Jewelcor Inc. presented a plaque to Sen. Arlen Specter, R-Pa., for his "tireless devotion and contribution toward building a stronger and more prosperous Northeastern Pennsylvania." The ceremony in the Jewelcor Center included, from left, Jewelcor Jewelers & Distributors president Marc L. Holtzman, Luzerne, Pa., County Commissioner Jim Phillips and Specter.

CompuServe Passes Half Million Mark

COLUMBUS, Ohio — CompuServe has become the first interactive computer home shopping and information service to pass the half million membership mark. This makes CompuServe the largest online service for personal computer owners, said president and chief executive officer Charles W. McCall.

S&P Downgrades Best's Notes

NEW YORK — Standard & Poor has downgraded Best Products' $135 million senior subordinated notes to Triple-C-Plus from Single-B-Plus due to the added debt incurred to finance Adler & Shaykin's $700 million leveraged buyout of the cataloger. S&P said "cash flow coverage will be weak in the coming years for the catalog showroom operator." S&P doesn't expect to further lower the notes' rating and sees little chance of raising the rating.

CBOE Trades Dress Barn Options

CHICAGO — The Chicago Board Options Exchange has begun trading options on The Dress Barn, a ladies apparel specialty chain whose 22.2 million shares are traded over the counter. The CBOE will trade Dress Barn on the January expiration cycle with other closings in April, May, July and October.

Dollar General to Close Arkansas DC

NASHVILLE, Tenn. — Dollar General plans to close its 350,000-square-foot Dumas, Ark., distribution center to cut distribution costs by $2.5 million. The facility serves 398 stores, but the company said that it can serve all of its 1,307 units "more efficiently" from its 430,000-square-foot Scottsville, Ky., and 250,000-square-foot Homerville, Ga., distribution centers.

KNOGO Broadens Security Service

HAUPPAUGE, N.Y. — KNOGO, a leading vendor of electronic articles surveillance systems, has broadened its security service beyond tags. It has made a "strategic alliance" with Vicon Industries to market closed circuit video systems known as "The KNOGO Surveillor by Vicon."

Carrefour Fights Rezoning Decision In Effort to Open Store in N.Y.

NEW YORK — Carrefour, the French hypermarket operator, has filed two lawsuits against the town of Brookhaven, N.Y., in attempts to overturn a rezoning decision that blocked plans to build its first United States hypermarket there.

But the town "plans to defend vigorously" against the suits, said Peter Scully, deputy town administrator of Brookhaven, located on Long Island. "We're confident the town's action will be sustained," Scully explained.

Last Nov. 1, Brookhaven rezoned the 69 acres of land for office and residential use that Carrefour bought for more than $18 million in 1986. When purchased, the land was zoned for shopping center and retail use. Community opposition over feared traffic congestion prompted the decision.

In addition to blocking its first hypermarket, the decision also cost Carrefour the sale of half the land that it was going to sell to Western Development, Washington, D.C., for a factory outlet strip center. Western was to purchase the land, contingent on town site approval of the hypermarket and the off-price strip center.

In suits filed in both federal and state courts, Carrefour is seeking $25 million in damages from the town and the seven members of the town board, as well as a judicial decision permitting it to build a hypermarket. In addition, it seeks an award of $20,000 a day for the fair value of the land for a period to be determined at the trial.

"Naming the individual town councilmen in the suit is an obvious attempt to intimidate them," Scully said.

Scully declined to estimate how much the town's defense will cost.

Brendan Dack, president of Carrefour's U.S. operations, also declined to comment beyond what he said in a press release announcing the suits.

"We have filed these lawsuits because we want to build a Carrefour store in Brookhaven," Dack said in a prepared statement. "We believe that

(Continued on page 76)

Discount Vendors Engaged In Major Acquisition Moves

Nationwide DSN Report

Two of the discount industry's major vendors, Black & Decker in power tools and Coleman in camping equipment, announced they are involved in acquisition moves.

In a $2.8 billion deal, B&D, Towson, Md., has agreed to acquire Emhart Industries. The purchase would add Kwikset door locks, Bostik adhesives, Price Pfister faucets and True Temper hand garden tools to B&D's line of power tools and small appliances. In addition, Emhart operates information and electronic systems, but B&D announced plans to sell that division to help pay down acquisition debt.

And The Coleman Company, Wichita, Kan., has agreed to be acquired by MacAndrews & Forbes Holdings, New York, for $545 million in cash.

New York investor Ronald Perelman controls MacAndrews & Forbes. His other holdings are Revlon, a major discount brand in cosmetics.

B&D's offer of $40 a share for Emhart, Farmington, Conn., blocks a hostile takeover move from Topper L.P., which had bid $35 a share. Under terms of its deal, B&D would get $85 million in fees from any bidder that lands Emhart with a higher bid.

In February, Coleman chairman Sheldon C. Coleman touched off an auction when he announced plans to take the company private at $64 a share in cash and securities.

Takeover has been rumored since last September when Coleman's father, who founded the company, died.

MacAndrews & Forbes' bid was $74 a share in cash. The offer is contingent on stockholders tendering at least two-thirds of the 7.4 million shares outstanding. The Coleman family controls 27 percent of the stock, and the firm agreed to issue 18.5 percent more stock and tender it, if needed to complete the deal.

DSN Adds Two to Board

Peter J. Hayes

Stephen T. Westerfield

NEW YORK — *DSN* has named two additional discount executives to its board of advisors. Joining the advisory board are Peter Hayes, president and chief executive officer of toy specialty chain Child World, Avon, Mass.; and Stephen Westerfield, corporate executive vice president of Silo, the Philadelphia-based consumer electronics specialty chain.

DSN's board of advisors is composed of executives representing various segments of the discount industry, including full-line discount department stores, catalog showrooms and specialty chains. The board meets regularly to provide input to *DSN* on issues of concern to the discount industry.

IN THIS ISSUE

APPAREL 17

American Fare Cashes In On Kids' Wear 17
The Cutting Edge/ 'Magin' That: MAGIC Moves to Las Vegas 17
Multi-Packs Propel Ladies' Panties Business 18
Trends, Bright Colors Have Leg Up in Hosiery 18

HOME PRODUCTS 23

Battery Market Ready for Recharge 23
MarketWatch 23
Retailers Can Design Speakers, Prices 25
Franklin Schools Students with Products 25

HARD LINES 65

Home Center Show Activity Lags 65
MarketWatch 65
Crayola Writes New Chapter for Magic Marker 66
Playskool Wheels Out Juvenile Bicycle Line 66

N.J. Unit Showcases New Strategy at Caldor 1,9

DEPARTMENTS

Classified 70
Columns:
IMRA President's Corner 6
Taking Stock/ Retail Technology 4
Washington Report 6
Editorial 6
FinanceWatch 73

TAKING STOCK

RETAIL TECHNOLOGY

QR: The Brewing Of a Retail Revolution

ARTHUR MARKOWITZ
Senior Editor

Let's make it clear from the start: Quick Response will cause a retailing revolution.

It will destroy the traditional retailer/vendor relationship and current reorder methods to, hopefully, build a better system.

The two QR conferences held last month in Dallas provided a glimpse of this Brave New World of retailing. Here are some of the implications:

The one idea emphasized by the handful of pioneers that have developed successful programs is that QR can work only if retailers and vendors changes their relationship. Each will have to move from their current adversarial dealings—squeezing out the last dollar, the last allowance—to a true partnership in which all parties have access to the same sales information so they know what's selling, what's not—and when, where and how much goods have to be replenished.

What this means is that buyers will be liberated to be true merchants, judging goods and deciding what to sell, rather than beancounters, checking numbers and mechanically filling out figures in reorder forms. On the other side, manufacturers will be able to marshal resources to support the merchandise that sells, reducing to a minimum the need to "eat" leftovers and returns.

If QR works as envisioned, retailers will reorder smaller quantities of goods more often, reducing inventory costs while increasing delivery costs. The inventory savings are supposed to more than outweigh the higher delivery expenses. However, retailers will face a major challenge: the need for much greater discipline than most have shown in the past to handle the faster replenishment.

QR could put everybody, not just upscale retailers, into the fashion business. Even the smallest chains, knowing what fashions are selling in their stores, could place reorders and get more goods—all within the short lifetime of a fashion cycle. But this sequence will work only if vendors become more flexible and responsive in their operations, receiving orders and shipping goods within a day or two. It's this speed that will enable retailers to remain current in their fashion business, get the maximum turns and avoid the need to mark down goods as styles lose appeal.

QR is expected to allow American manufacturers to resupply retailers faster than foreign vendors. But if Americans can conceive and develop QR, why should they believe that foreign manufacturers won't be able to adjust their production methods and continue to supply the biggest consumer market in the world, the U.S.A.? After all, retail technology isn't an exclusive American prerogative.

We are just at the beginning of the QR revolution. The next step could be a marriage between QR and artificial intelligence systems so that the reorder cycle isn't just based on what goods were sold and mechanically refilling the empty shelf spaces. AI could add intelligent insight on whether goods should be reordered and at what level the orders should be refilled, less if an item is on a sales decline or more if it's on a sales incline. AI could even help project the sales cycle, an important consideration to foreign vendors who want to continue to supply American retailers.

Discounters Can Benefit the Most From Implementing Quick Response

(Continued from page 1)

million (0.72 p/s), $128.3 million (0.17 p/s), and $1.6 billion (2.13 p/s); EDI, $5 million (0.01 p/s), $23.2 million (0.03 p/s), and $102.5 million (0.14 p/s); and SCM, $8.5 million (0.01 p/s), $7 million (0.01 p/s) and $223.5 million (0.3 p/s).

The initial QR investment would cost conventional department stores, including the Big Three mass merchants, $1.6 billion overall (2.2 p/s), with another $139 million (0.19 p/s) in annual costs, while the annual savings would be $3.7 billion (4.9 p/s).

The costs and benefits for specialty stores of all types would be less, $684 million (1.9 p/s) to start QR, $219 million (0.57 p/s) in annual costs and $2 billion (5.0 p/s) as the ongoing savings.

VICS commissioned separate studies on the costs and benefits of QR for retailers from Andersen Consultants and for manufacturers from Kurt Salmon Associates. They were disclosed first as a VICS-sponsored CEO Briefing meeting of top retailers and manufacturers and then at QuickResponse 89, a conference and trade show cosponsored by VICS and AIM, the Automatic Identification Manufacturers Inc.

The manufacturer study involved a broad group of vendors—apparel, home furnishing, housewares, cosmetics and recreational producers—who are pioneering the use of QR. But KSA only pinpointed the savings to the apparel industry, the largest manufacturer group using this technology. The figures were $5.2 billion to implement QR, $1.5 billion in annual cost and $5.7 billion in yearly savings.

Beyond the studies, each of the consultants produced a computer floppy diskette that a retailer or manufacturer can use to determine the cost and benefit for its own unique operations. The diskettes and manuals, designed for an IBM PC or compatible clone, are available from VICS, phone (800) 535-VICS or from the consultants.

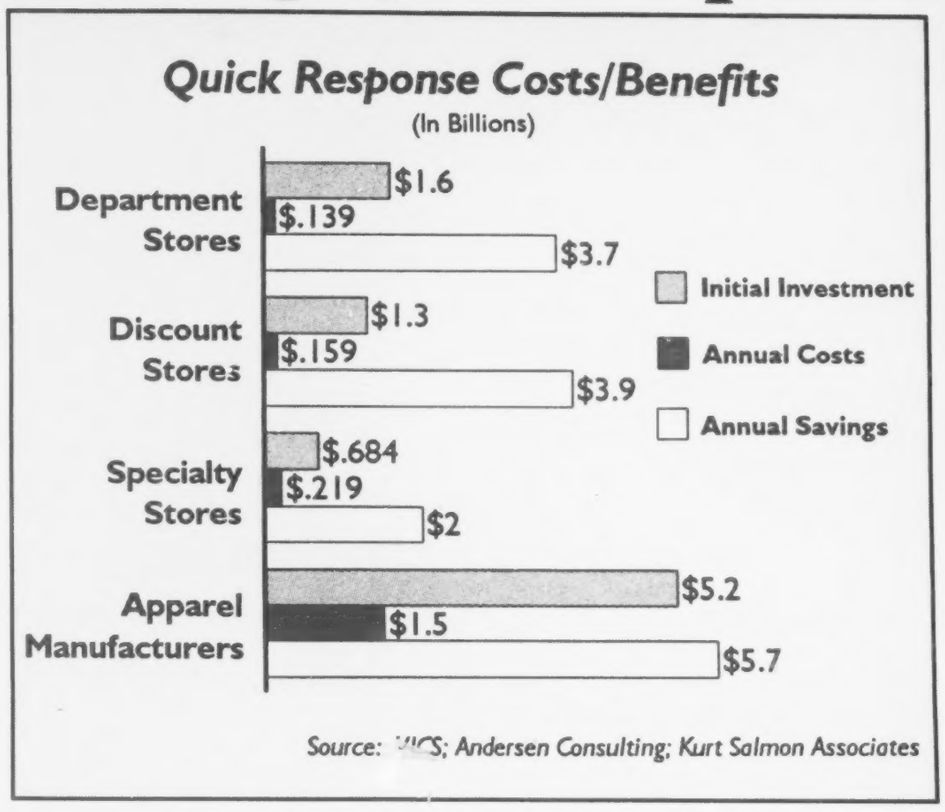
Development of the diskettes to individualize the potential costs and savings was meant to answer questions, voiced in the past by retailers and vendors, about the impact of the new technology and its applicability to a specific firm.

Recognizing this concern, retailers and manufacturers using QR expressed common themes at both conferences. The overriding message was that merchants and vendors should start to act immediately to implement QR because competitors are doing so.

Roger Milliken, chairman of Milliken & Co., considered the father of QR, noted that the technology was a revolutionary new way for retailers and manufacturers to conduct their business. "The number of revolutionaries is so much larger now than it was two years ago [when the first QR meeting was held]," he noted.

Bob Martin, Wal-Mart's vice president, information systems, said that questions about the technology "are behind us" and that how quickly a company implements QR "and focuses on the new rules and new opportunities to do business may well determine who will be successful in the future."

Retailer success stories on implementing QR were detailed by, among others, David Miller, JCPenney vice chairman and chief operating officer, and Marvin Goldstein, Dayton Hudson Department Stores vice president and general merchandise manager, RTW, at VICS CEO Briefing; and by Nick Lenhart, Mervyn's project manager, distribution and support systems, at QuickResponse 89.



Source: VICS; Andersen Consulting; Kurt Salmon Associates

One-Day Conference Held By Retail Systems Alert

NEWTON HIGHLANDS, Mass. — *Retail Systems Alert* will sponsor a one-day conference on retailers' use of decision support and information systems on April 27 at the Infomart in Dallas.

The speakers and topics are Alfred F. Lynch, JCPenney, Past, Present and Future of Retail Decision-Making; David E. Burlis, Edison Bros., Do You Buy Or Do You Design Executive Information Systems?; Ben Maguire, Touche Ross, Do You Buy Or Do You Design Knowledge-Based Systems?; Raymond H. Goodman, consultant, Case Study: How to Develop Decision Support Systems, and Douglas W. Dudnick, Carter, Hawley Hale, Case Study: How to Implement Decision Support Systems.

The demonstration area will include exhibits on a decision support system for shelf planning, a strategic merchandising package, an executive information system and a geographically based micromarketing package.

For information and registration contact *Retail Systems Alert*, P.O. Box 312, Newton Highlands, Mass., 02161. Phone: (617) 527-4626.

There is a difference!

Consumer Electronics Division

Home Comfort Products Division

RTA Furniture Division

Telecommunications Division

SOUNDESIGN®
There is a difference!
Soundesign Corporation • Jersey City, NJ • 07311-3962 • (201) 434-1050

HOME PRODUCTS

HOUSEWARES / DOMESTICS / PHOTO / CONSUMER ELECTRONICS / HOME OFFICE / RTA FURNITURE

Battery Market Seeks Recharge

Rechargeables to Generate Sales Surge

By Peter Hisey
Nationwide DSN Report

The $2.6 billion battery market may be recharged with the introduction this spring and summer of several one-hour rechargeable battery systems.

To date, Eveready, GE and Panasonic have announced introductions, and others will undoubtedly follow.

These introductions, according to the manufacturers, will be significant in that they will serve to overcome a major stumbling block to growth in the rechargeable category: Most Americans do not think seven to 14 hours in advance, and consequently find traditional rechargeable batteries unsuited to their lifestyles.

"Our research showed that consumers were much more concerned with the time factor than with cost," said an Eveready spokesman. "They were clearly willing to pay more for added convenience."

That might be an understatement in at least one area—personal audio, where some 40 percent or so of alkaline batteries now go. While the relatively inexpensive, powerful alkaline batteries will probably maintain their strong position in the market, a truly convenient rechargeable system could make significant inroads.

That, evidently, is GE's thinking. At the winter CES in Las Vegas, Nev., the company was showing a prototype of a pocket-sized charger that fast-charges a set of AA batteries. According to a spokeswoman, the product, which will debut sometime in the second half of 1989, is aimed at upscale consumers and will be priced accordingly.

The Eveready Generator battery and charger system will also carry a high price tag, perhaps twice as much as conventional seven-hour systems, and will be more flexible than the GE charger. It will handle C, D and AA cells, and automatically differentiate between new one-hour Generator cells and older trickle-charge models.

According to an Eveready spokesman, that distinction will be important. "No one will want to keep two chargers around for different types of batteries," he said.

The GE spokeswoman also noted that its product will recharge any existing rechargeable battery.

With or without the new one-hour products, the rechargeable market is a growth area. With major players ranging from Panasonic and Saft to GE and Eveready, other major manufacturers like Sanyo are also playing significant parts.

The popularity of newer, battery-eating products like camcorders, power zoom 35mm cameras, laptop computers, cellular telephones and boom boxes, has built demand for rechargeable cells to a record level, and the peak is nowhere in sight. Projected sales in this area are expected to exceed $550 million by the end of 1991, according to Eveready.

Saft, which has carved out a chunk of the business with its full line of camcorder, computer and camera battery packs, is in the process of developing a quick-charge product, which should reach the market by the end of the year. However, a spokesman for the company noted that faster-charging systems will appeal mainly to a select group of consumers. "The bulk of the business will be in less expensive products," he said.

A buyer for a major CE chain essentially agreed with that assessment, at least for the near future. "These will be specialty items at first," he said of the rechargeable market, "but I see them becoming the standard rather quickly." The impact will probably be felt most in personal audio products, which generally use AA batteries, he added.

"This market has grown steadily, and at times spectacularly, over the last 10 years," said an Eveready spokesman. "But there hasn't been anything new in the area in 20 years. This [the Generator system] could really stimulate the market."

A secondary factor may also stimulate rechargeable business. Legislation pending in several states, including New York, may restrict or outright ban traditional alkaline and carbon zinc batteries. Environmentalists contend that the products are unnecessarily polutive, and are pressuring legislators to restrict their usage.

If this campaign assumes national proportions, it could force consumers into the rechargeable market. According to Eveready research, less than 30 percent of all homes now own rechargers, and it can be assumed that many of those have consigned them to closets and attics because of the relative inconvenience of waiting seven to 14 hours for batteries to charge.

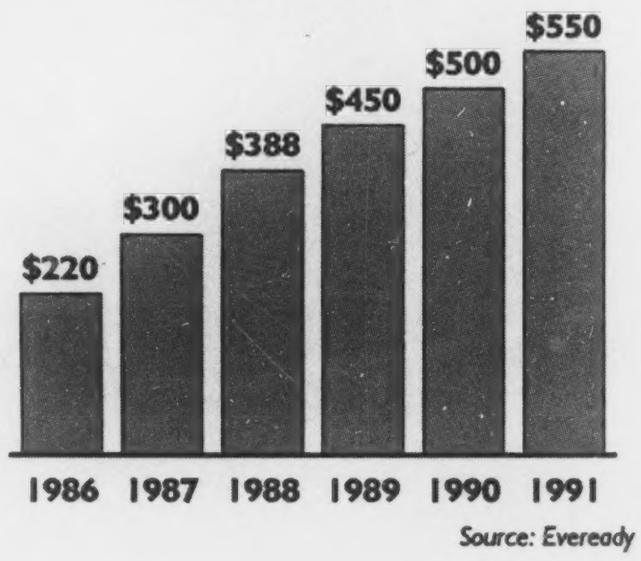
Such a switch over would produce, at best, mixed emotions among retailers, who

(Continued on page 25)

CE at Auchan, Houston: The popularity of battery-eating boom boxes has increased demand for rechargeable cells. (DSN photo)

Estimated Growth of Rechargeable Batteries

Retail Sales in Millions



Source: Eveready

MARKETWATCH

Atari Wins Injunction

MILPITAS, Calif. — Atari Games, which is embroiled in a series of legal disputes with Nintendo America over Atari Games' marketing of relatively inexpensive video games playable on Nintendo's systems, was granted an injunction prohibiting Nintendo from suing retailers for carrying Atari Games' Tengen cartridges. According to Atari Games, Nintendo had threatened major discount retailers with third party patent infringement suits unless they discontinued selling Nintendo-format Tengen games. Tengen formerly supplied software to Nintendo, which then packaged them in its own cartridges, making use of its own microchips. Atari Games, Tengen's parent, has sued Nintendo for unfair restraint of trade and patent infringement.

HDTV Makes Waves

WASHINGTON, D.C. — AT&T and Zenith have signed an agreement to cooperate on the development of HDTV technologies, the companies announced. The two are combining to produce a sophisticated HDTV receiver for military use based on Zenith's Spectrum Compatible HDTV system.

Export Directory Out

CHICAGO — The new 100-page Export Directory is now available from the National Housewares Manufacturers Association. The directory lists data on almost 900 NHMA members who currently export goods. Information given for each company includes: address, telephone and FAX numbers, type of product manufactured and sales regions. Directories are available for $25 plus $2.50 for postage/handling from NHMA, 1324 Merchandise Mart, Chicago, 60654.

Best Buy's Sales Slip

MINNEAPOLIS — Best Buy, the 41-store CE retailer based here, reported slightly lower sales for February 1989 over the previous year, in which the month had an extra shopping day due to leap year. Sales dipped to $31 million from $32 million, and comparable store sales dropped 5 percent, also partially due to the extra shopping day.

NBBL Show Nears

NEW YORK — In spite of contending mini-markets and single-manufacturer exhibits, the 21st International Bath, Bed and Linen Show will be held May 7 to 10 at New York's Jacob Javits Center. Over 600 manufacturers are expected to take part, according to the National Bath, Bed & Linen Association, the sponsor of the show. For further information, call the association at (212) 689-5550.

Polk Opens Two

CHICAGO — Polk Bros., the Melrose Park, Ill.-based CE and home furnishings retailer, opened two Chicago area stores in late February. The two stores, one in Melrose Park and the other in Naperville, were heralded with a 16-page insert in area newspapers and a $100,000 merchandise giveaway at Polk stores. The new locations feature redesigned sound rooms and state-of-the-art designer kitchen and bath shops. The Melrose Park store, at 170,000 square feet, also houses the company's executive headquarters, while the Naperville unit contains 45,000 square feet of selling space.

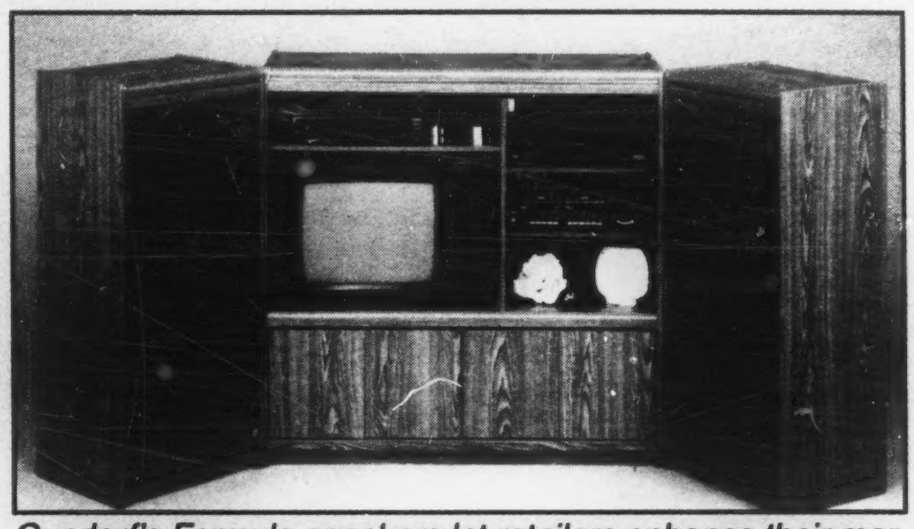
HOME PRODUCTS

Retailers Can Design Speakers, Prices

ST. LOUIS — CE retailers on the lookout for enhanced-margin products might be interested in Gusdorf Corp.'s collection of "fill-in-the-blanks" speaker cabinets. The RTA manufacturer introduced three different Formula cabinets at winter CES, noting that retailers will be able to design their own speakers and prices.

"Retailer control of component combination in packaging is bound to introduce new and varied profit opportunities," said Bob Livergood, Gusdorf's vp, sales. "The enclosures allow the retailer to get into do-it-yourself electronics packaging, thereby gaining a lucrative, flexible alternative to the prepackaged electronics/furniture combinations that are currently available."

Cabinets are available in three different price points, from budget to upscale, and match other Gusdorf RTA products. Formula speakers are "acoustically engineered to maximize sound quality, enhancing the bass sound reproduction of even unsophisticated speakers," said marketing manager Mike Gusdorf.



Gusdorf's Formula speakers let retailers enhance their margins with 'fill-in-the-blanks' speaker cabinets.

Franklin Schools Students With Donated Products

MOUNT HOLLY, N.J. — Franklin Computer has donated $186,000 worth of its handheld electronic reference products to 37 schools nationwide. According to the company, the products will be given to a variety of educational programs in an ongoing effort to measure the effect of the new technology on education.

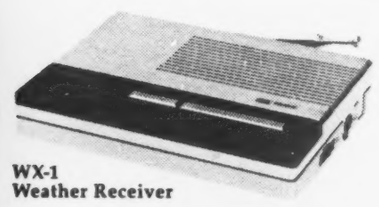
The study will cover many programs, from primary school through adult education, in a variety of fields, including creative writing, language arts, spelling and reference skills.

"I believe we are seeing a revolution in the making, in that our products are essentially electronic books," said Franklin executive vice president Michael Strange.

A study recently conducted by Indiana University of Pennsylvania indicated that fourth grade students using a Franklin Spelling Ace performed at a sixth grade level in identifying and correcting misspelled words.

FORECAST: Strong sales out of the North, South, East and West

No matter where your customer base is located . . . or if it's summer, fall, winter or spring . . . everyone needs up-to-the-minute weather information. And, of course, you need strong, consistent sales and full margin. These competitively priced Weather Receivers deliver on all counts. So, let's not just talk about the weather, but also what Maxon can do about it — for you.



WX-1
Weather Receiver

WX-3
Weather Receiver
with Alert

maxon
SYSTEMS INCORPORATED
A Wholly Owned Subsidiary of Maxon Electronics Co. Ltd. of Korea

10828 NW AirWorld Drive, Dept. 777
Kansas City, MO 64153
Phone: 816/891-1093

In Canada, contact:
H. Roy Gray, Ltd.
14 Laidlaw Blvd.
Markham, Ontario L3P 1W7
Phone: 416/294-4833

© 1988 - MSI

Battery Market Seeks Recharge

(Continued from page 23)

now have a moderately profitable, consistent business in disposable batteries. The higher margins and price points of rechargeable batteries (as well as the add-on sale of chargers) would be a boon, but the drawbacks of selling a product that only has to be replaced once every five or 10 years are self-explanatory.

Even without that impetus, rechargeables are expected to become the second-largest segment of the battery market within a year or two, displacing carbon zinc. The reusable aspect of the product seems to strike a chord with consumers, and use has mainly been limited not by price (which works out to far less per battery hour than with alkaline), but by the fact that present technology just doesn't match up with the way people actually live.

If, as expected, the one-hour charge systems remove that deficiency, rechargeables may be the place to be in the '90s.

NHMA'S MIDYEAR CUSTOMERS' SHOW. THREE DAYS OF QUALITY TIME AND SERIOUS BUSINESS.

JULY 9-11
CHICAGO

NHMA

Contact: National Housewares Manufacturers Association
(312) 644-3333 FAX: 644-3911

America, get reading.
Read a poem aloud each night before dinner. Read to your kids.
Make all your gifts books.
Subscribe to a magazine you've always wanted. Read the book before you see the movie.
Make sure everyone in your family has a library card.
Make sure they use it.
Experience the power and pleasure of reading.

Use America's libraries.

American Library Association

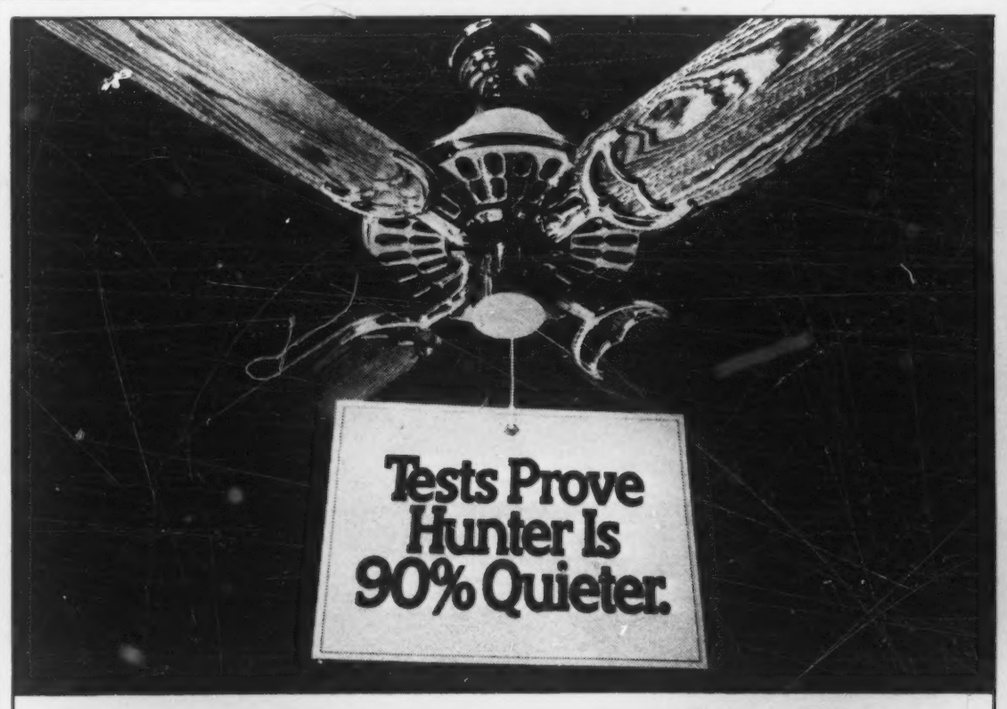
If you're looking for some good reading, you've just found it. The free Consumer Information Catalog.

The Catalog lists about 200 federal publications, many of them free. They can help you eat right, manage your money, stay healthy, plan your child's education, learn about federal benefits and more.

So sharpen your pencil. Write for the free Consumer Information Catalog. And get reading worth writing for.

Consumer Information Center
Department RW
Pueblo, Colorado 81009

A public service of this publication and the Consumer Information Center of the U.S. General Services Administration.



Sounds like more people will be buying Hunter fans this year.

If you want to sell volumes of higher priced ceiling fans, sell the one that's 90% quieter than the rest. A Hunter.

In a recent independent laboratory test, Hunter Fans were proven to be on an average 90% quieter at low speed and 57% quieter at medium speed than most top line fans.

To find out more about the quietest fan, call Jim Barrett at 901-745-9278. Or write us at 2500 Frisco Avenue, Memphis, TN 38114.

HUNTER®

© 1988, Hunter Fan Company.

Hunter Fan Company Building The Best For Over 100 Years.

Ceiling fans • Air conditioners • Dehumidifiers • Lighting • Thermostats

FM

Spring, 1989

FOOD MERCHANDISING
FOR NON-FOOD RETAILERS

A special supplement to
Drug Store News and Discount Store News

Juices and Bottled Waters Page 30

Special FM report: Groceries' Strategic Role In Non-Food Stores

Features

FM Special Report: The Strategies Behind Grocery Promotions in Non-Food Stores

Buyers say groceries get consumers into their stores more often, and they also attract new shoppers. Their presence adds "value" to stores looking to hype volume.

Page 11

Exclusive Survey Of Grocery Product Buyers.

FM quantifies what's being promoted, how often, in what mediums and for what reasons.

Page 25

Juices & Bottled Waters

Two of the strongest growth segments in the beverage industry. Non-food chains are jumping on the bandwagon with more ads, cooler programs, and expanded space.

Page 30

Departments

Food For Thought

Soft drink promotions score with buyers.

Page 9

Packaged Groceries Play Key Role In Non-Food Stores

Some chains use groceries everyday to attract the "convenience" shopper while others prefer to aggressively promote grocery items to build traffic and sales.

According to grocery product buyers for nonfood stores, groceries are no longer an "alien" category in their stores.

Today, almost all drug and discount chains promote and carry some types of groceries, and in the pages of this special report, we quantify how extensively nonfood chains are involved in grocery merchandising—including the percent of drug and discount chains that stock and promote groceries, the frequencies of their promotions, why they carry groceries, how they display them, average margins and sell throughs, and more.

Without doubt, grocery's biggest value to nonfood chains is that they create traffic. Retailers told us that advertising groceries gets consumers into the store more often—and attracts a whole new base of customers.

"Groceries are important to us because we're looking for ways to build our business," says K mart's executive vp Larry Parkin. "Groceries are the driving force to get customers into our stores, and they also bring them back on a more frequent basis."

"When we promote groceries, we almost always get good results," says Harco Drug's grocery buyer Andy Horn.

"The presence of groceries adds something to a drug store. It tells your customers that you can satisfy a lot of their needs, that you're more than just a drug store.

"If they want Gatorade, we've got it. If they want brownies, we've got it. It makes them realize that we're more than just a place to pick up a prescription."

From interviews with nonfood grocery product buyers, we also learned that the role of packaged groceries in nonfood stores varies, depending on the chain and its specific marketing plans.

In discount stores, packaged

groceries are established as permanent everyday departments. The mix usually includes such commodities as tuna fish, pickles, jellies and condiments. Add to that candies, snacks, pet foods, household cleaners and beverages from soft drinks, juice and bottled waters to wine, beer and hard alcohol.

Some discounters, among them Wal-Mart and K mart, carry a relatively broad assortment of packaged groceries everyday. Others like Caldor and Bradlee's basically stock traditional items like candies, snacks and soft drinks.

Wal-Mart and K mart are also experimenting with "alternative" types of retailing in which grocery merchandising plays a major role.

K mart, for example, has acquired the Makro wholesale club chain which does 50% of its business in groceries. K mart is also testing hypermarket stores called American Fare as well as Super K marts which give about a third of their space to assorted groceries.

Wal-Mart also has a chain of warehouse clubs, Sam's, that does a heavy business in groceries. Groceries are also sold in the Wal-Mart hypermarkets, Hypermart USA, and in Wal Mart's deep discount drug chain, Dot Drug.

In the drug store industry, packaged groceries are in many chains as mini-convenience food departments, plus just about all the major chains use packaged groceries as traffic builders.

For instance, Walgreen and Thrifty Drug currently have convenience or c-food departments in about one-third of their stores, and are continuing to roll them out in appropriate markets.

Eckerd, Perry Drug, Peoples, SupeRx and Harco are all examples of major drug chains with c-food departments in some stores, but their expansion strategy is much more conservative than Walgreen or Thrifty. These chains generally authorize c-food departments only in urban stores or stores where there is no strong, direct competition with food chains.

Drug chains also vary widely on how strongly they promote groceries. Some chains prefer to promote only what they consider to be the traditional grocery categories for their stores—candy, soft drinks and snacks.

Most Drug Chains Promote Various Types Of Groceries

(% of drug chains that promote edible and non-edible groceries)

Grocery category	% of drug chains that promote this category
Snacks, chips, cookies, cakes	97%
Soft drinks	97
Household cleaners	93
Garbage bags	90
Paper products	90
Candy & gum	90
Packaged groceries	73
Bottled waters, juices, etc.	73
Pet foods	73
Food wrap	70
Beer, wine and liquor	47

Source: Lebhar-Friedman Research

Discount Chains Are Most Aggressive Promoting Edible Groceries

(% of discount chains that promote edible and non-edible groceries)

Grocery category	% of discount chains that promote this category
Snacks, chips, cookies, cakes	90%
Candy & gum	85
Soft drinks	85
Household cleaners	65
Garbage bags	60
Food wrap	55
Packaged groceries	55
Paper products	50
Bottled waters, juices	45
Pet foods	45
Beer, wine and liquor	20

Source: Lebhar-Friedman Research

The Most Frequently Advertised Grocery Categories In Drug Stores

Grocery category	% of drug chains advertising this category at least once a week	% of drug chains advertising this category at least once a month
Soft drinks	62%	89%
Beer, wine and liquor	50	92
Paper products (toilet tissues, etc.)	48	85
Snacks, chips, cookies, cakes	45	83
Candy & gum	44	85
Household cleaners	43	86
Packaged groceries (tuna fish, etc.)	41	86
Bottled waters, juices, etc.	32	78
Pet foods	32	77
Garbage bags	30	85
Food wrap	29	91

Source: Lebhar-Friedman Research

Others like to mix commodity groceries in with their candies and snacks because they see these products as appealing to a broad base of consumers. They also feel that it gives them an edge over the competition when they can advertise a grocery item at a price much lower than their supermarket competitors.

At SupeRx, Dave Coleman, manager-drug convenience, prefers to focus his feature ads on candies and snacks, the more traditional departments in the chain.

"We try to profile core departments in our ads," says Coleman. "The more we focus on them, the better we feel it is for our image."

Similarly, Walgreen prefers to focus on candy, snacks and soft drinks in its ads. Sources for the nation's largest drug chain said they see these categories as appealing to shoppers who like drug stores for "convenient" purchases of high consumption items like soft drinks or candy.

What Drug & Discount Chains Are Doing With Groceries

Most non-food chains have been promoting groceries for so long that their buyers have an excellent feel for what kind of product will sell on ad and what brand or commodity will do well in a permanent department—or even as a private label.

In discount stores, the most popular categories for everyday merchandising are juices, soft drinks, bottled waters, candies, cookies, crackers, instant/convenience meals or side dishes in a can or package, Noodle Roni, Chef-Boy-Ardee, Hormel canned meats, tuna fish and salmon, for example.

Jellies, jams, peanut butter, cereals, cake mixes and icings are also popular.

Usually the discount chains will stock an item by choosing the brand with the highest share that they can acquire at the most attractive cost. Buyers said that as long as a brand is among the top three or four on the market, it will sell in their stores if the retail price represents a good value.

Generally the drug chains that have permanent everyday grocery departments follow a philosophy similar to the discount stores, except they will usually stock smaller sizes and carry a broader assortment of product because they are trying to appeal to the same customer as convenience stores do.

In discount stores, a typical grocery item turns about 23 times a year, while in the drug store industry, the turn is closer to seven times a year. However, that's much better than the three to four times a year that the average non-pharmaceutical drug store item turns.

Warehouse clubs also turn their grocery mix dramatically. That's partly because of the traffic they generate. A typical warehouse club can do close to $100 million a year in sales, with 30% to 50% of that in groceries.

Their turns are also good because warehouse club buyers are fanatical about polishing their mix so they only keep the fastest movers.

Ken Kirwin, vp at Boston-based B.J.'s Wholesale Club, said the key to the category is a streamlined mix. B.J.'s used to stock about 1,400 grocery skus. Now they're down to 1,300, and they are constantly dropping slow turners.

"We only want the best selling items in the high consumption categories," Kirwin said.

The customers in warehouse clubs are small businesses and professionals as well as everyday home shoppers. This base of users are also buying groceries for resale either in Mom and Pop stores or in restaurants, or they are buying supplies like coffee, cleaners, toilet paper for their offices.

Industry sources consider the best selling brands at warehouse clubs to be from the strongest packaged goods companies—among them Procter & Gamble, Coca-Cola, Pepsi and General Foods.

The Most Frequently Advertised Categories In Discount Stores

Grocery category	% of discount chains advertising this category at least once a week	% of discount chains advertising this category at least once a month
Snacks, chips, cookies, cakes	39%	83%
Household cleaners	38	91
Candy & gum	36	72
Paper products (toilet tissues, etc.)	30	90
Soft drinks	30	77
Beer, wine and liquor	25	50
Bottled waters, juices, etc.	22	66
Pet foods	22	55
Food wrap	18	82
Packaged groceries (tuna fish, etc.)	18	81
Garbage bags	17	92

Source: Lebhar-Friedman Research

How Drug Chains Are Changing How Often They Advertise Groceries

(1988 advertising frequencies versus 1987)

Grocery category	% of drug chains advertising groceries		
	More often	Less often	The same
Candy & gum	37%	4%	59%
Beer, wine and liquor	36	—	64
Packaged groceries (tuna fish, etc.)	36	—	59
Household cleaners	36	4	57
Bottled waters, juices, etc.	36	5	59
Soft drinks	34	3	59
Snacks, chips, cookies, cakes	34	3	62
Pet foods	32	—	68
Paper products (toilet tissues, etc.)	30	4	63
Garbage bags	30	4	63
Food wrap	29	5	62

Percentages may not add to 100% due to rounding or don't knows/no answers

Source: Lebhar-Friedman Research

The Brands That Sell Well in Non-food Stores

At Alabama-based Harco Drug, Chicken of the Sea has done very well for grocery buyer Andy Horn, as have Pfeiffer salad dressings and Morton House Beef Stew and Chili.

Pet food promotions have also done well, and Harco has even included the Carnation canned lines, Mighty Dog, Fancy Feast, and Friskies Buffet in their spring and fall television ads.

"We don't usually advertise groceries on TV because most grocery manufacturers don't have those kinds of co-op dollars available," said Horn, "but we did feature Carnation in one of our TV ads, and it was very successful."

Ocean Spray and Welch's juices have also done very well in drug and discount stores, and in some markets, Veryfine has also been successful. Hi-C is also a good juice item.

Carnation, Quaker and Purina pet products also do well in nonfood ad promotions. Most buyers say they have good, strong brands in a high consumption category and that these manufacturers are cooperative. They also have co-op dollars available for nonfood stores.

In cleaners, Tide, Dawn, Cascade and Wisk are popular promotional items. The manufacturers are cooperative and creative with nonfood stores, and they put plenty of heavy advertising dollars behind their brands, buyers reported.

In nonfood stores, Act II, Orville Redenbacher and Deli Express microwavable popcorns, seem to be the best brands, with just about every buyer naming one of these brands as an outstanding success on ad.

The snack department has been a little dull otherwise, with some buyers complaining that there's nothing innovative in the category and that all they are getting right now are new flavors. Hormel could be adding some spice to the category, however, with Chi-Chi salsa, a hot dip for tacos, which some buyers say is good.

Bottled water is also coming on strong in many chains. Buyers haven't promoted this segment much, but the chains that have put it in as an everyday item report excellent growth on everything from Perrier as a sparkling water to the varigus regional brands of gallon jugs, most of which Perrier owns, and the seltzers, particularly New York Seltzer and Chicago Seltzer.

Keltsch Drug in Indiana carries seltzer everyday and while the chain hasn't advertised it yet, growth is exceeding 30% year-to-date just from in-store displays, said buyer Robert Fahrenbach.

In California, where health consciousness is a way of iife, Longs, Thrifty and Pay 'n Save are among chains doing swimmingly with bottled waters.

How Discount Chains Are Changing How Often They Advertise Groceries

(1988 advertising frequencies versus 1987)

Grocery category	% of discount chains advertising groceries		
	More often	Less often	The same
Soft drinks	29%	12%	53%
Packaged groceries (tuna fish, etc.)	27	9	55
Garbage bags	25	8	58
Household cleaners	23	15	54
Bottled waters, juices, etc.	22	11	67
Snacks, chips, cookies, cakes	22	6	67
Pet foods	22	11	56
Paper products (toilet tissues, etc.)	20	20	50
Food wrap	18	9	64
Candy & gum	18	6	76
Beer, wine and liquor	—	25	75

Percentages may not add up to 100% due to rounding or don't knows/no answers

Source: Lebhar-Friedman Research

How Discount Chains Plan To Promote Groceries In 1989

(1989 advertising frequencies versus 1988)

Grocery category	% of discount chains that will be advertising groceries		
	More often	Less often	The same
Beer, wine and liquor	25%	—	75%
Soft drinks	12	6%	71
Bottled waters, juices, etc.	11	—	89
Pet foods	11	—	67
Paper products (toilet tissues, etc.)	10	—	80
Food wrap	9	—	82
Packaged groceries (tuna fish, etc.)	9	9	73
Garbage bags	8	—	75
Household cleaners	8	—	77
Snacks, chips, cookies, cakes	6	11	78
Candy & gum	6	—	88

Percentages may not add up to 100% due to rounding and don't knows/no answers

Source: Lebhar-Friedman Research

Special Report:
Groceries' Strategic Role
In Non-Food Stores

Retailer Survey: How & Why Groceries Are Promoted

Today virtually all non-food chains promote at least some grocery categories. Buyers say groceries build traffic and create a "convenience" image for their stores.

Almost all nonfood chains stock groceries. Buyers say they satisfy the needs of convenience shoppers.

From 20% to 30% more drug and discount chains are promoting groceries today to build traffic than a year ago.

Moreover, about one-third of all drug chains are advertising groceries more often than a year ago, as are at least one-fifth of all discount chains, according to an exclusive survey of nonfood grocery buyers conducted for FM by Lebhar-Friedman Research.

FM, which sponsored the survey to quantify the extent to which nonfood chains are involved with groceries, discovered that all chains today promote some groceries—and the most popular promotions revolve around what buyers call "core" grocery categories.

Nine of every ten drug chains in the survey promote the following core grocery categories: snacks, including chips; cookies and cakes; candy; gum; soft drinks; household cleaners; garbage bags; paper products such as toilet and facial tissues.

More than two-thirds of all the drug chains also promote packaged groceries such as canned spaghetti, tuna fish and ketchup, plus juices, bottled waters, pet foods and food wraps.

Nearly half of all drug chains also promote beer, wine and alcohol.

Among discount stores, nearly nine of ten chains promote such core categories as candies and snacks.

More than half also promote garbage bags, food wraps, household cleaners, packaged groceries, and paper products. Four of ten discounters also promote bottled waters, juices, and pet foods, and one in five promote beer, wine and liquor.

How often groceries are promoted

Almost all our respondents said their chains promoted some groceries at least once a month. In the drug store industry, however, half of our respondents said they promote soft drinks and liquor at least once a week.

At least four out of every ten chain drug respondents also said their chains also promote packaged groceries, household cleaners, candy, gum and snacks at least once a week.

In discount stores, nearly one-third of respondents said their

chains also promote certain categories at least once a week, including household cleaners, candy, gum, paper and soft drinks.

Future Plans

This year, two out of every ten respondents said they plan to promote some underutilized categories like beer, wine and liquor, even more frequently than they did last year.

Beverage buyers said these are fast-turning categories, and they are getting easier to promote because more nonfood chains are starting to carry them everyday in all their stores.

Groceries are a prime "traffic builder"

Both drug and discount grocery product buyers said their chains advertise groceries primarily to build traffic: nine of every ten drug store retailers said this, as did eight of ten discounters.

Seven of ten respondents overall said they promote groceries to build "the frequency of store visits from regular customers"; over half said they also used grocery specials to create "impulse sales." In addition, more than one in three respondents said they promote groceries to create a "one-stop shopping" image as well as a "convenience" image for their stores.

How Drug Chains Plan To Promote Groceries In 1989
(1989 advertising frequencies versus 1988)

Grocery category	% of chains that will be advertising groceries		
	More often	Less often	The same
Beer, wine and liquor	21%	—	79%
Bottled waters, juices, etc.	18	5%	77
Snacks, chips, cookies, cakes	17	3	76
Candy & gum	15	4	78
Paper products (toilet tissues, etc.)	15	4	78
Garbage bags	15	4	74
Food wrap	14	5	76
Packaged groceries (tuna fish, etc.)	14	—	82
Pet foods	14	5	82
Household cleaners	14	4	75
Soft drinks	10	3	79

May not add up to 100% because of don't knows or no answers
Source: Lebhar-Friedman Research

How The Survey Was Done

Most respondents to FM's grocery promotions survey were either food, beverage and grocery product buyers or merchandise managers for major chains.

Two out of three respondents were either buyers or merchandise managers, 8% were general merchandise managers, 10% were vp's-merchandising, 4% were directors of purchasing and the rest held other titles.

The drug chains in our survey generated a median of $65 million a year in sales and operated a median of 39 stores.

The discount chains in our survey had a median of $163 million a year in sales and operated an average of 25 stores.

However, some of our discount store respondents were doing over $2 billion a year in sales and operated hundreds of stores, while some drug chain respondents were generating over $1 billion in sales and also operated hundreds of stores.

Altogether, 20 discount chains and 30 drug chains participated in the survey.

The Most Popular Advertising Mediums For Non-Food Stores Promoting Groceries

Vehicle	Discount chains	Drug chains
Direct mail, circulars, flyers, etc.	75%	83%
Local radio	65	57
Newspapers/magazine inserts	60	73
Store announcements	60	43
In-store circulars	60	70
ROP newspaper ads	50	60
Television advertising	40	50

Percentages exceed 100% due to multiple responses
Source: Lebhar-Friedman Research

Why Non-Food Chains are Advertising Groceries

Reasons	Discount chains	Drug chains
To build traffic	80%	93%
To build frequency of store visits	70	73
To generate impulse sales	55	63
To attract new customers	50	77
To create a low price image	45	37
To create a one stop shopping image	45	43
To create a convenience image	40	43
To pull traffic away from food stores with competing products	30	23

Source: Lebhar-Friedman Research

How To Insure A Successful Grocery Program

Grocery product buyers for both drug and discount chains say that it's very important for nonfood buyers to "take the responsibility" for their grocery programs. By this they mean the responsibility of insuring sell throughs with aggressive ads and in-store merchandising programs.

John Gamble, who helped build a successful food program for Canada's leading drug chain, Shoppers Drug Mart, says ads are critical for insuring the success of groceries in nonfood stores, because it's through ads that chains establish both their commitment to the category and their competitive strengths.

What Matters Most to A Buyer Deciding To Advertise A Grocery Product

Motivator "very important" in their decision to advertise a grocery item	% of respondents rating this factor as	
	Discount chains	Drug chains
Past history of product sell throughs	85%	80%
Dollars allocated to consumer advertising	85	63
Manufacturers' willingness to support retailers' promotions	75	77
Availability of co-op dollars	55	47
Is the product in a strong growth category	50	40
Market share	40	50
Frequency of use	40	53
Availability of bonus packs	40	27
% of households using the category	30	33

Source: Lebhar-Friedman Research

The Most Popular Displays For Groceries In Non-Food Stores

Display Vehicle	Discount chains	Drug chains
End caps	95%	93%
Counter/floor displays	65	93
Tables	60	53
Cut cases	55	67
Baskets	55	57
Bulk displays	10	—
All other	10	3

Percentages exceed 100% due to multiple responses
Source: Lebhar-Friedman Research

At K mart, management uses ads to target new customers who may not be traditional K mart shoppers. Executive vp Larry Parkin says groceries give K mart a chance both to bring in new users and to bring back regular shoppers more often.

K mart usually has some kind of grocery item, packaged grocery as well as candy, snack and soft drink, in all its rotos and circulars.

For its part, Wal-Mart may not advertise the category as much, but it will be just as competitive, sometimes even more so, with in-store displays. The endcaps in the chain's permanent food sections are always stocked with values, frequently labeled "unadvertised specials." Wal-Mart also uses plenty of case stacks and floor displays of the bulkier groceries, such as 25 lb. bags of dog food.

Non Foods' Average Percent Sell Through For Select Advertised Groceries

(% of product sold through during ad period)

Category	Mean % sell through	
	Discount chains	Drug chains
Candy & gum	80.5%	78.8%
Snacks, chips, cookies, cakes	82.8	76.1
Soft drinks	85.8	82.7
Bottled waters, juices, etc.	89.2	73.6
Beer, wine and liquor	65.0	67.5
Packaged groceries (tuna fish, etc.)	84.9	71.8
Pet foods	88.0	77.7
Household cleaners	78.1	70.6
Paper products (toilet tissues, etc.)	80.8	70.6
Food wrap	80.8	71.3
Garbage bags	80.7	72.2

Source: Lebhar-Friedman Research

Non Foods' Average Margin For Select Advertised Groceries

Category	Mean Gross Margin For Advertised Products	
	Discount chains	Drug chains
Candy & gum	14.9%	14.7%
Snacks, chips, cookies, cakes	3.1	15.1
Soft drinks	5.9	6.6
Bottled waters, juices, etc.	5.0	11.1
Beer, wine and liquor	19.0	11.3
Packaged groceries (tuna fish, etc.)	5.4	10.6
Pet foods	9.0	10.6
Household cleaners	9.8	15.0
Paper products (toilet tissues, etc.)	2.5	12.8
Food wrap	8.3	13.3
Garbage bags	11.0	14.3

Source: Lebhar-Friedman Research

Juices are one of the fastest growing segments in beverages and nonfood chains are getting in the action.

Finding Homes For Juices & Bottled Waters

Drug and discount chains are promoting juices and bottled waters to build traffic, and most chains now have permanent homes for the category.

The juice category is up 20% in dollar sales this year, many buyers report.

Most of the growth is coming from promotions. The major nonfood chains are promoting juice more this year, and they're also buying in heavier quantities as they build on the successes of earlier years.

Right now, most nonfood chains are averaging about an ad a month on juices, and some are running twice a month.

The emphasis is on the major brands, the large sizes for the heavy user and the 10- and 16-oz. size for cooler shoppers.

Ocean Spray, Welch's and Gatorade are top sellers in nonfood stores, especially in the large sizes, which are usually merchandised warm. Hi-C is also doing well, and some chains have had good success with Del Monte.

Gatorade is also turning up in coolers that are in many drug chains today as is Veryfine, the No. 1 single-serve brand in the country with an estimated 25% national share.

In the last year, K mart has promoted about one juice brand a month. Wal-Mart has done about 14 a year. Eckerd, Longs, Pay 'n Save and Thrifty have each done about 12 juice ads this past year, or about one a month.

However, Pay 'n Save is currently focusing in primarily on snacks and candies in its latest ads.

Walgreen also concentrates heavily on snacks, soft drinks and candies in its circulars, but still has been averaging about six juice ads a year.

As a traffic builder, buyers said juice is relatively profitable, usually averaging from 7% to 15% margins when promoted. Everyday, the warm juices usually have about a 25% margin and the cold single-serve juices can average as much as a 60% margin.

More permanent displays

Today, there are also more chains carrying juices everyday, at least some of the top brands and usually including Welch's, Ocean Spray, Gatorade, Hi-C and in the drug chains, Veryfine.

As one buyer put it, the permanent allocations evolved directly from the successes of the promotional programs.

"We found that juice really does sell well to our customers," he said, "and we found that it did all right all year. It was not just a seasonal item.

Carrefour Fights Rezoning

(Continued from page 2)

our store will benefit the citizens of Brookhaven and the surrounding communities. Carrefour intends to pursue its claims vigorously."

Because of delays stemming from the legal wrangle, Carrefour built its first U.S. hypermarket in Philadelphia. Following the adverse decision, Carrefour closed its U.S. headquarters in Secaucus, N.J., and transferred operations to its Philadelphia store. It operates a total of 115 hypermarkets in France, Brazil, Argentina and Spain and plans to open units in the near future in Taiwan.

In a complaint filed in U.S. District Court in Brooklyn, N.Y., Carrefour claims that local merchants brought "vindictive political pressure" to bear on town officials because they feared competition.

It also claims that the rezoning is inconsistent with the town's own zoning plan and that the town board failed to comply with state environmental review requirements.

Bradlees Promotes 6 Managers to VPs

BRAINTREE, Mass. — Bradlees promoted six directors and regional managers to vice presidents. Norman Chalphin, formerly Eastern New England regional manager, becomes vp, director of stores; Randall Dickerson, formerly staffing director, becomes vp, field personnel; Richard Dow, formerly regional manager, Mid-Atlantic, becomes vp, New Jersey/Philadelphia; John Kelsey, previously regional manager, New York, New Jersey and Philadelphia, becomes vp, Eastern New England; Everett Lancor, formerly regional manager, Western New England, becomes vp Western New England; and John Macklin, director of store operation, becomes vp, store operations.

Nobody backs their fax like Toshiba.

Only Toshiba backs every fax — including the new model 3600 — with SatisFAXtion, the most extensive Dealer Support Program available. Call 1-800-272-7997 for details.

In Touch with Tomorrow
TOSHIBA

© 1988 Toshiba America, Inc., Telecommunication Systems Division, Retail Products Group

Top Chains Report Healthy '88 Sales

(Continued from page 1)

a 6.5 percent increase in sales (from all operations), while Wal-Mart's sales (from all operations except its Hypermart USAs) were up 29.4 percent, hitting the $20 billion mark for the first time. Target's sales were up 19.0 percent.

Wal-Mart was also the big winner in earnings, with a 23.9 percent rise in operating income for the year. The discounter's net earnings gains outpaced the sales increase as the bottom line went to $837.2 million, up 33.4 percent from $627.6 million. The net profit ratio went up slightly to 4.1 percent from 3.9 percent.

Sears topped the $30 billion mark for the first time, posting a 7.8 percent sales increase to $30.3 billion from $28.1 billion the previous year. Operating income fell 76.9 percent to $300 million last year from $1.3 billion the previous year.

K mart's operating income hit $1.24 billion, up 6.2 percent from $1.17 billion. Net income growth also ran ahead of its sales gain, jumping 16 percent to $802.9 million from $692.2 million. Its net profit ratio increased marginally to 2.9 percent from 2.7 percent, but still lagged behind Wal-Mart.

JCPenney suffered a 3.3 percent decline in sales but held on—with room to spare—to the No. 4 spot among discounters and mass merchandisers. Penney also reported a 15.7 percent loss in operating income. While the chain offered no official explanation for the loss, the discontinuance of such big-ticket departments as home electronics, sporting goods and photographic equipment was undoubtedly a factor.

Woolworth reported $8.1 billion in '88 sales, up 12.7 percent from $7.2 billion. Operating income outpaced sales, rising 9.4 percent to $444 million from $406 million. Net income hit $288 million, up 14.7 percent from $251 million.

Target recorded $6.3 billion in sales last year, a 19.0 jump over the previous year's $5.3 billion. Operating income lagged behind sales, rising by only 5.6 percent to $341 million from $323 million in 1987.

Montgomery Ward, which went private last year, only reported sales figures—a 4.3 percent increase to $4.7 billion from $4.6 billion in 1987.

Toys "R" Us hit the $4 billion mark for the first time, posting a strong 27.5 percent increase from $3.1 billion. Operating earnings also rose an impressive 23.9 percent to $429 million from $346 million. Net earnings were even better, up 31.4 percent—outpacing the sales increase—to $268 million from $204 million.

Fiscal Year-End Results of Top Discounters, Mass Merchandisers

Chain	Sales (In Billions) 1988	Sales (In Billions) 1987	Percent Change	Operating Income (In Millions) 1988	Operating Income (In Millions) 1987	Percent Change
Sears	$30.3	$28.1	7.8%	$ 300	$1,300	(76.9%)
K mart	27.3	25.6	6.5	1,244	1,171	6.2
Wal-Mart	20.6	15.9	29.4	1,325	1,069	23.9
JCPenney	14.8	15.3	(3.3)	970	1,151	(15.7)
Woolworth	8.1	7.2	12.7	444	406	9.4
Target	6.3	5.3	19.0	341	323	5.6
Montgomery Ward	4.7	4.6	4.3	NA	NA	—
Toys "R" Us	4.0	3.1	27.5	429	346	23.9
Ames	3.4*	2.1	59.8	NA	58	—
Service Merchandise	3.1	2.7	13.7	121	45	172.4
Fred Meyer	2.1	1.8	12.2	66	61	7.9
TJX Cos.(Zayre)**	1.9	1.6	16.9	142	118	20.1
Marshalls	1.8	1.6	9.3	NA	NA	—
Hills	1.7	1.5	10.3	19	34	(45.1)
Circuit City	1.7	1.4	27.4	NA	89	—
Caldor	1.6	1.5	4.8	50	56	(10.7)
Rose's	1.4	1.3	7.7	27	29	(8.0)
Venture	1.3	1.2	7.9	81	70	15.7
PACE	1.3	0.94	35.2	14	7	97.2
ShopKo	1.1	0.92	19.6	61	54	13.7

Private companies whose figures were not available—or companies whose fiscal years end in months other than December or January—have not been included.

NA-not available

Percentages are based on actual numbers before rounding.

Sales: includes all divisions of company (i.e., Western Auto included in Sears figures, Sam's included in Wal-Mart figures, Pay Less NW included in K mart figures, etc.).

Operating Income: profit/loss from continuing operations before income taxes and extraordinary items.

**Figure includes $1.05 billion of Zayre discount stores sales for 4th qtr.*

***Figures represent results from 'continuing operations,' meaning TJX Cos., for the entire fiscal year. Zayre Corp. didn't report sales from its discount store division for the 39 weeks ended Oct. 29, 1988, but reported a $78.5 million loss from the discount store division for the period.*

Source: DSN *research*

House Passes Min. Wage Bill, Senate Showdown Expected

(Continued from page 1)

ed to override a Presidential veto. Democrats who steered the bill through the House described it as a compromise with the administration.

The committee version sent to the floor called for a $4.65 hourly rate and did not include a sub-minimum "training wage" for newly hired workers as proposed by Bush. The full House added a modified training wage provision allowing employees to be hired at $3.35 per hour for 60 days—but only if they have no previous work experience.

President Bush's plan would allow employers to pay the training wage to all new workers for up to 90 days.

The House bill would raise the current $3.35 hourly rate to $3.85 on Oct. 1, to $4.25 a year later, and then to $4.55 on Oct. 1, 1991. A Senate committee has approved legislation calling for a $3.65 wage rate and no training wage. A showdown in that chamber is expected later this month.

DISCOUNT STORE NEWS

(ISSN 0012-3587), is published biweekly—every other Monday—24 times a year except issues of Aug. 22 and Sept. 12, which are published every third week; monthly in December—by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscriptions are available at no charge to qualified retailers and wholesalers. Paid subscriptions are available to manufacturers and their reps, schools, libraries, govt. agencies and all others—one year, $35; Canada: one year, $37; Foreign subscriptions: Airmail only, $175 (U.S.$) per year. Single copy rate, $2, except annual census issue, $20.

Second-class circulation postage paid at New York, N.Y., and additional mailing offices.

Copyright© 1989 by Lebhar-Friedman Inc. All rights reserved. Postmaster: please send address changes to Subscription Department, *Discount Store News*, 305 Madison Ave., Suite 535, New York, N.Y. 10164-0659. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover of previous issue.

Vol. 28, No. 7

April 3, 1989

Wholesale Clubs merchandise juices through mass displays. Their customers usually buy by the case load or shrink packs.

Growth in Non-Alcoholic Beverages
(billions of dollars)

Category	1986	1987	% change	Average Annual compound growth rate (1980-85)
Bottled water	$ 0.8	$ 0.9	12.5%	15.0%
Fruit Juice/Drinks	11.2	11.6	3.4	12.4
+ Soft Drinks	36.7	38.7	5.6	9.5
Tea	1.4	1.3	(5.4)	6.4
Milk	11.5	11.8	2.0	2.6
Coffee	6.0	5.3	(11.5)	(1.5)
+ + Other	0.9	0.9	(0.3)	4.5
Total Non-alcoholic beverage consumption	68.5	70.5	2.9	7.4
Total beverage consumption	122.6	125.4	2.3	7.4

+ Carbonated and powdered soft drinks
+ + Includes powdered breakfast beverages, non-alcoholic cocktail mixes, cocoa, herbal teas and infant juices.

Source: Impact databank

So we simply deciced that if it's going to do well, we might as well carry it 52 weeks a year."

Wal-Mart and K mart have given juice space in their warm beverage departments for about a year now. Target also carries the category everyday and Venture is considering adding it as a permanent program.

Thrifty carries juices everyday in its approximately 400 stores with c-food sections, as does Walgreen in its approximately 500 stores with c-food departments.

In both the drug and discount chains, the 64-oz. size sells best because it is favored by value-conscious heavy users. Buyers noted with equal conviction that aseptic packs do "extraordinarily well"—especially as a back-to-school promotion, and the 48-oz. size shows up often as a multi-priced promotion, three for $5, for example.

One buyer said the multi-priced approach was excellent for increasing turns and generating a higher ticket sale.

Bottled Water

The bottled water category is growing fantastically in nonfood stores, buyers said. Gallon jug wines and seltzers seem to be the strongest growth areas, up 40% to 50% over last year, they added.

Sparkling waters, which have been in most nonfood chains longer than the jug waters and the seltzers, are also doing well off a larger base. Most buyers estimate their sales are up between 12% and 15%, but some chains report growth as strong as 30%

Right now, many of the major drug chains are carrying bottled waters in select stores on a permanent program. Most drug chains also have single-serve bottled waters next to their soft drinks and juices.

Walgreen carries jug water in select regions like Florida. Eckerd has an optional program for permanent everyday jug water, and right now the category is in about 30% of all Eckerd stores.

Walgreen, Rite Aid, Eckerd and Osco all have some programs for sparkling water, and they all stock the category in at least some markets. Perrier is usually the preferred brand.

In the discount and warehouse club industries, almost all the major chains have the category at least in some stores.

K mart, Wal-Mart, Target, Venture, Price Club, Price Saver, Costco, Sam's and B. J.'s Wholesale Club all report good experiences with the category.

Most buyers said they just started working with the category about a year ago, and were attracted to it because it is currently the fastest-growing beverage segment.

Although the gallon jugs and sparkling waters may not appeal to as many people as soft drinks, the base of users is growing. People who consume bottled waters are generally heavy users, drinking them several times a day and often at the exclusion of drinks like pop or alcohol.

"Bottled waters are a growth area that we want to expand as fast as possible," Peter Agostino, the senior buyer of convenience foods and beverages at Eckerd, said.

Eckerd now has bottled waters in more than 30% of their stores, and

Fruit Juice and Drinks Consumption Trends

Trend	1970	1986	1987	% change ('86 vs '87)	Average Annual Compound Growth Rate (1980-85)
Millions of gallons	1,470	2,547	2,561	0.5%	2.1%
Share of total beverage market	4.0	5.7	5.6	n.a.	n.a.
Per-capita consumption (millions per person)	7.21	10.56	10.52	(0.4)	1.1

Source: Impact databank

Fruit Juice Consumption By Flavor Type

(share of market trends)

Flavor Type	1970	1986	1987
Orange	56.4%	63.8%	63.1%
Grapefruit	7.4	5.0	4.8
Other citrus	0.5	0.3	0.3
Total Citrus	64.2	69.0	68.1
Apple	6.9	16.5	17.1
Grape	6.4	4.1	4.2
Vegtable	12.3	5.1	5.1
Pineapple	4.4	1.7	1.7
Other non-citrus	5.9	3.6	3.8
Total non-citrus	35.8	31.0	31.9
Total fruit juice	100.0%	100.0%	100.0%

Source: Impact databank

that will be rolled out as fast as possible.

Perrier is Eckerd's best-selling sparkling water. Best sellers in jug water vary by region. In Florida, for example, Zephyr Hills is very strong, but in Texas, folks prefer Ozarka.

In Indiana, Bob Fahrenback, who buys foods and beverages for the 12-unit Keltsch Brothers drug chain, reports that seltzer is his fastest growing segment in bottled waters, and that both New York Seltzer and Chicago Seltzer have been particularly strong. Sources for K & B Drug in Louisiana report the same trend.

Fahrenback, who has been selling seltzers for about a year, is averaging about a 30% growth rate.

Perrier, on the other hand, has been in his stores about five years, and is averaging about a 10% growth rate.

"We sell more seltzers than we sell regional brands of soft drinks," he says.

Even warehouse clubs carry bottled waters. Such sources as Ken Kirwin, vp-merchandising at B. J.'s, said they appeal to both the small business customers who patronize warehouse clubs and consumers.

Drinks that combine bottled water with juice are also continuing to do well in the nonfoods market.

Sun Dance, the new bottled water/juice combinaton drink from Stroh's, is still doing very well in nonfood stores. Several chains have started to carry the brand everyday, and more chains this year are promoting Sun Dance, especially around Halloween, Thanksgiving and Christmas/New Year's.

Right now Osco and Thrifty both carry the Sun Dance line everyday in their upscale beverage sections near Perrier and Calistoga.

Revco and Target are also planograming the line, and Venture and Wal-Mart are considering adding Sun Dance to their permanent list.

Many of the drug chains with cold vaults also have Sun Dance in their coolers next to Coke, Pepsi, Gatorade, Veryfine and other juices. Buyers said they like its margins because food chains don't promote it very often.

Others also like the everyday retails on the four-pack which usually range between $2.69 and $2.79, but one buyer, who isn't carrying Sun Dance in his everyday program, said that while he "loves the brand, I'm afraid the everyday price point may be too high for my stores."

Stroh's, however, has been building demand with a strong advertising campaign that includes coupons and free sampling. Some discount stores have even done some in-store sampling of Sun Dance, and it seems like the programs are paying off.

One buyer said that Sun Dance doesn't have the same large base of users as soft drinks, "but people who do use it are very brand loyal," he said, "and I'm not having any trouble getting repeat sales."

Diet Nutrition Shakes

Another new opportunity is emerging in beverage sales: packaged nutritional shakes that can be used either as diet aids or as meal supplements.

Carnation has done a good job in food stores with its Instant Breakfast shakes, and Slim Fast has done well in drug stores as a diet aid, but this year, buyers are telling FM there is something new on the market: Nutra Rich shake.

Nutra Rich, made by NutriBevco in Middletown, N.Y., is positioned as both a nuitrition supplement and a diet aid.

Austin and Genovese Drug, both in the New York area, were among the first to feature Nutra Rich in off-shelf displays.

Drug Emporium is stocking it in both the northeast and Georgia, and Revco and Osco are testing it, both in their diet aisles and in off-shelf displays.

Sources for these chains said that initial movement was just fair because sales depended solely on the displays, but one in January, described the movement as "brisk" and "strong."